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THE NEW STATUS IN THE PACIFIC

by

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with the aid of the Research Staff of the Foreign Policy Association

ON May 31, 1933 the Nanking government was forced to accept the terms of surrender dictated by Japan in what has generally become known as the Tangku truce. It has since become clear that this truce marked the end of the undeclared Sino-Japanese war precipitated by the Japanese military on September 18, 1931. The more immediate results of the Far Eastern conflict, as summed up in the Tangku truce, may be stated briefly under four heads:

1. By engaging to demilitarize the greater part of north China from Peiping to the Great Wall, the Nanking government tacitly—although not formally—abandoned the Manchurian provinces to Japan.

2. Undeterred by the verdict of the League, Japan dictated this surrender by the direct and repeated pressure of military force.

3. Contrary to the cardinal principle of settlement laid down by the League, the truce was the result of direct Sino-Japanese negotiations excluding neutral supervision.

4. The quiescence of the League's Advisory Committee in the face of these developments indicates that the powers are not now prepared to challenge Japan's *fait accompli*.

These immediate results of Japan's resort to military aggression mark an important turning-point in the future relations of the Pacific powers. The old landmarks of the Far Eastern *status quo* established by the agreements of the Washington Conference have been obliterated. Henceforth Japan must be reckoned as a dominant power on the Asiatic mainland, with as yet undefined potentialities of further territorial aggrandizement. The principal Far Eastern interests of the United States and the Soviet Union, as well as of Great Britain and France, are directly affected by this development. The present report surveys the existing situation between China and Japan, and its more notable repercussions on the other important Far Eastern powers.¹

THE JAPANESE OFFENSIVE IN CHINA

A significant aspect of the Japanese offensive in China has been that, once started, the scope of its operations, objectives and results has steadily broadened. Beginning with the occupation of strategic cities in Manchuria, it has since resulted in the conquest of Manchuria, Japan's withdrawal from the League of Nations and, finally, a bid for complete Japanese dominance in the Far East.

LEAGUE ACTION ON LYTTON REPORT

The report of the Lytton Commission of Enquiry was signed at Peiping on September 4, 1932, and was communicated to the members of the League on October 1.² After an interval of several weeks, granted at the request of the Japanese government, the League Council considered the report at meetings held from November 21 to 28,

1932. Unable to find any measure of agreement in the declarations of the Chinese and Japanese representatives, the Council merely transmitted to the Assembly the Commission's report and the minutes of its meetings.³ Convening on December 6-9, the Assembly authorized the Committee of Nineteen⁴ to draw up proposals for settlement in the light of the Commission's report, the observations of the parties, and the opinions and suggestions expressed in the Assembly.⁵ The Committee of Nineteen then drew up two draft resolutions indicating the basis on which it considered that efforts to effect a settlement might be continued. Both drafts contained two vital proposals: that the recommendations of the Lytton report should be accepted as the basis of settlement, and that the United States and the Soviet Union should be invited to join the Committee of

1. The effects on France's position in the Far East will be treated in a subsequent report in connection with the extension of French influence from Indo-China into Yunnan province. It should be noted that Japan's general expansionist policy, as well as recent Japanese trade gains in the Dutch East Indies, have also aroused the apprehensions of The Netherlands over their Far Eastern possessions.

2. For the organization and activities of the Commission, cf. J. C. de Wilde, "The League and the Sino-Japanese Dispute," *Foreign Policy Reports*, July 20, 1932; for a summary of the Commission's findings, cf. R. L. Buell, "International Action on the Lytton Report," *ibid.*, November 9, 1932.

3. League of Nations, *Official Journal*, 13th Year, No. 12 (Part I), December 1932, p. 1914.

4. The Committee of Nineteen was originally established by resolution of the Assembly on March 11, 1932. It was operating under the conciliatory procedure of paragraph 3, Article 15 of the League Covenant, with directions to proceed, if necessary, to the preparation of the draft report provided for in paragraph 4, Article 15.

5. League of Nations, *Official Journal*, Special Supplement No. 111, p. 74-75.

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Nineteen in working out such a settlement.⁶ Since action on these resolutions required unanimity in the Assembly, the Committee authorized M. Hymans, president of the Assembly, and Sir Eric Drummond, Secretary-General of the League, to seek to obtain their prior acceptance by the Chinese and Japanese delegations. The drafts were handed to the delegations on December 15, 1932.

Two months of tedious negotiations ensued.⁷ On December 17 both delegations submitted amendments to the proposed resolutions. The changes suggested by the Japanese delegation, in particular, were so extensive that they fundamentally altered the structure of the proposals. Nevertheless, the Committee of Nineteen decided on December 20 to adjourn until January 16, 1933, in order to allow the conversations looking toward conciliatory settlement to be continued. On January 18, two days after the Committee had reconvened, the Japanese government submitted a new statement which laid particular stress on its opposition to the proposal that the United States and the Soviet Union should be associated with the Committee's work. To this statement the Committee replied that, if Japan raised no other objection to the draft resolutions, the point at issue could be settled in consultation with the two parties. On January 21, however, the Japanese delegation signified that its government was not prepared to accept the Committee's texts, even if the invitation to non-member states to participate in the negotiations for a settlement were eliminated. At this point the Committee decided, in pursuance of the Assembly's resolution of March 11, 1932, to begin the preparation of the draft report provided for in Article 15, paragraph 4, of the Covenant.⁸

This decision did not close the way to conciliation, and the Committee still remained at the disposal of the parties. On February 8, during the preparation of the report, the Japanese government submitted new proposals to the Committee. The number and scope of these proposals were decidedly more limited than that of those previously advanced, consisting chiefly in the suggestion that settlement should be based on the principles of the Lytton report, "applying them to events which have developed." On February 9, in answer to this overture, the Committee inquired whether Japan accepted, as one of the bases of conciliation, principle 7 in Chapter IX of the Lytton report, recommending the establishment in Manchuria of a large measure of autonomy consistent with the sovereignty and administrative integrity of China. The Japanese dele-

gation replied on February 14 that the maintenance and recognition of Manchoukuo constituted the only guarantee of peace in the Far East, and that the whole question would eventually be settled by Japan and China on that basis.

Under these circumstances, the Committee of Nineteen decided that it had exhausted all possible efforts at conciliation, and proceeded to complete the preparation of its report, which was made public on February 17.⁹ The report was composed of four parts. A brief introduction, constituting Part I, declared that the first eight chapters of the Lytton report "present a balanced, impartial and detailed statement" of the historical background and main facts of the dispute, which "the Assembly adopts as part of its own report." Part II comprised a detailed summary of the development of the dispute before the League, together with a description of the contemporary military developments in Manchuria and at Shanghai. In Part III the Committee stated its conclusions regarding the principal features of the dispute, which fully sustained China's case essentially along the lines of the Lytton report.

The recommendations of the report, listed in Part IV, fall under three main heads. In the first section the report declares that settlement should be based on the provisions of the League Covenant, the Pact of Paris and the Nine-Power Treaty, should observe the provisions of Parts I and II of the Assembly resolution of March 11, 1932, and should conform to the principles and conditions laid down in Chapter IX of the Lytton report. The second section recommends that the Japanese troops should be withdrawn into the South Manchuria Railway zone, and that thereafter a new governmental organization under Chinese sovereignty but with a wide measure of autonomy should be established in Manchuria. Negotiations toward this end should take place with the aid of a Committee of twelve nations set up by the Assembly, with which the United States and the Soviet Union would be invited to associate themselves. The third section points out that the recommendations "do not provide for a mere return to the *status quo* existing before September 1931," and that they "likewise exclude the maintenance and recognition of the existing régime in Manchuria." In adopting the report, therefore, the members of the League signify their intention "not to recognize this régime either *de jure* or *de facto*."

The report of the Committee of Nineteen was communicated to the League Assembly on February 21. At this meeting M. Hymans, president of the Assembly, reviewed

6. For texts of these draft resolutions, cf. *ibid.*, Special Supplement No. 112, p. 67-69.

7. For details of these negotiations, cf. *ibid.*, p. 12-13, Annex V, Appendices 1-6, p. 76-82.

8. Cf. p. 258, footnote 4.

9. For text of the report, cf. League of Nations, *Official Journal*, Special Supplement No. 112, Annex V, p. 56-76; also *New York Times*, February 18, 1933.

the work of the Committee since December 9, 1932, and proposed, in order to avoid "even the appearance of precipitancy," that discussion of the draft report should be deferred for three days.¹⁰ On February 24, in accordance with the procedure specified by the League Covenant, the draft report was unanimously adopted by the Assembly.¹¹ When the vote had been taken, M. Matsuoka, Japan's chief delegate, declared in a brief statement that his government had "now reached the limit of its endeavors to cooperate with the League of Nations in regard to the Sino-Japanese differences." Following this statement, the Japanese delegation withdrew from the Assembly. At a second session on February 24, the Assembly adopted a resolution setting up a Far Eastern Advisory Committee of twenty-one nations,¹² to which the United States and the Soviet Union were to be invited to adhere, for the purpose of aiding League members to concert their efforts and those of non-member states in facilitating settlement of the Sino-Japanese dispute in conformity with the recommendations of the Assembly report.¹³ Invitations requesting the adherence of the United States and the Soviet Union to the Advisory Committee were dispatched on February 25. The Soviet Union notified the League of its refusal to accept the invitation on March 7, stressing the fact that thirteen of the twenty-two states named to the Committee had not recognized the U.S.S.R.¹⁴ On March 11 the United States appointed Mr. Hugh R. Wilson, the American Minister to Switzerland, to participate in the Committee's deliberations but without the right to vote.¹⁵ In a note dated March 27, addressed to Secretary-General Sir Eric Drummond, the Japanese government made formal notification of its intention to withdraw from the League of Nations.¹⁶

THE TANGKU TRUCE

While these negotiations were being carried on at Geneva, the Japanese military forces had greatly extended the sphere of their activities in China. Fighting had broken out on January 1, 1933 at Shanhai-kuan, the gateway to north China, and on January 3 Japanese troops had taken possession of the city. On February 25, the

10. League of Nations, *Official Journal*, Special Supplement No. 112, p. 11-13.

11. *Ibid.*, p. 14-23. Forty-two states voted for the report, Japan voted against it, and Siam abstained. Technical unanimity required a unanimous vote of the states represented on the Council and a majority vote of those represented in the Assembly, excluding the parties to the dispute. Siam was regarded, under the rules of procedure, as not present.

12. The Committee of Nineteen was augmented by the addition of Canada and The Netherlands.

13. League of Nations, *Official Journal*, Special Supplement No. 112, p. 24-28.

14. *Ibid.*, Annex XIII, p. 98-99.

15. *Ibid.*, Annex XIV, p. 99.

16. *New York Times*, March 28, 1933.

day after the League Assembly had adopted its report, the Japanese military invaded Jehol province in full force. Despite the difficult character of Jehol's mountainous terrain the Chinese defense speedily collapsed, and the Japanese vanguard entered Cheng-teh, capital of the province, on March 4. All efforts at organized Chinese resistance in Jehol had collapsed by the middle of March.

Important political changes now occurred in north China. Marshal Chang Hsueh-liang's strength was broken by the Jehol debacle, and his usefulness to the Nanking régime ended. His resignation was accepted on March 10, and his place was taken by General Ho Ying-chin, Minister of War in the Nanking government. Later, Huang Fu—a former Foreign Minister at Nanking—was appointed head of the civil government in north China.¹⁷ At no cost to himself, Chiang Kai-shek had thus extended Nanking's direct control to the Great Wall. Despite a strong popular demand that he should assume personal command of the Chinese forces and lead them against the Japanese, Chiang Kai-shek judged it of greater importance to continue his anti-Communist operations in Kiangsi province, claiming the need for unification and preparation prior to meeting the Japanese in the field.¹⁸ Some efforts were made, however, to strengthen the Chinese defenses in north China. A trench system was constructed south of Kupeikou pass, and several divisions of Nanking troops were sent north.¹⁹ General Ho Ying-chin also reorganized the remnants of the defeated northern armies, and placed them in the forefront of Chinese counter-attacks along the Great Wall. These "provocations" led to an initial Japanese advance into north China in April, which progressed to the Luan river along the coast but was held up by a stubborn Chinese defense inland at Kupeikou. On May 8, following a temporary withdrawal, the Japanese military launched a much more determined invasion of north China. By May 20 the Japanese forces were within 35 miles of Tientsin and 13 miles of Peiping, and the occupation of both cities seemed imminent. Two days later a preliminary truce was arranged between Huang Fu and Shoichi Nakayama, Japanese Chargé d'Affaires at Peiping. On May 31 Chinese negotiators representing Nanking signed a formal armistice with Japanese delegates at Tangku.²⁰

17. Both Ho Ying-chin and Huang Fu, it should be noted, were educated in Japan and have many Japanese connections.

18. For two years Chiang Kai-shek has occupied the post of Commander-in-Chief of the Nanking government's military forces without once taking personal command over operations directed against the Japanese.

19. These divisions were not Chiang Kai-shek's best troops and were poorly equipped, without modern artillery or airplanes—which Chiang reserved for use against the Communists.

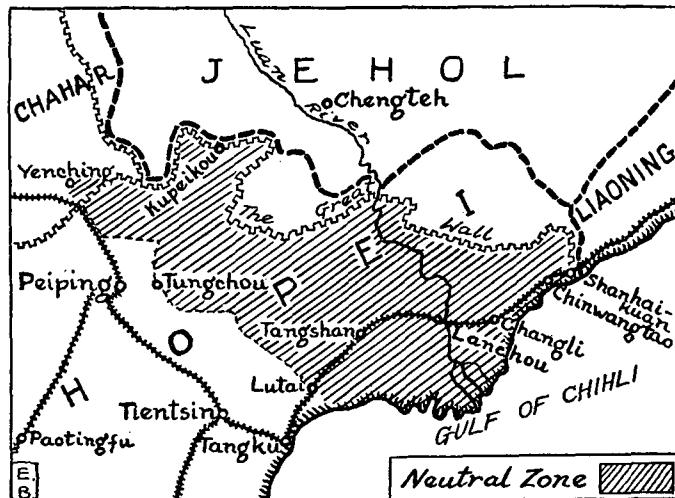
20. For details, cf. Edgar Snow, *Far Eastern Front* (New York, Smith & Haas, 1933), p. 306.

By the terms of the Tangku truce,²¹ all Chinese troops were required to withdraw south of a line 250 miles long which runs from Lutai to the town of Yenching, northwest of Peiping on the border of Chahar province. At Tungchow this line approaches within thirteen miles of Peiping. The Japanese military were given the right to inspect the Chinese withdrawal by airplane or otherwise, and the Chinese authorities were required to afford adequate protection and facilities for such inspection. Provision was made for the organization of a Chinese police force to assume responsibility for maintaining order within the demilitarized area, after which the Japanese army would voluntarily retire to the Great Wall. No time limit was set for the Japanese withdrawal. At Nanking, Premier Wang Ching-wei declared that the agreement was "purely military and does not affect the nation's territorial rights or international position."²² This statement was perhaps technically correct. It was evident, however, that by agreeing to a truce which prevented further armed resistance the Nanking government was accepting, for the time being at least, the loss of Manchuria and Jehol.

The truce has been enforced in such a manner as to place Japan in an extremely advantageous position to exact further concessions from the Chinese authorities. All regular Chinese troops have been withdrawn from the "demilitarized" area. Japanese military detachments, however, are stationed at various points along the railway from Tientsin to Shanhakuan, including Tangku, Lutai, Tangshan, Lanchou, Changli, and Chinwangtao.²³ The demilitarized area has also been subject to continual forays by various "independent" Chinese armies which the north China authorities have not been permitted to curb.²⁴ Several thousand of these pro-Manchoukuo troops have been incorporated in the Chinese force that is to police the area, thus rendering the allegiance of this police force highly doubtful. Finally, the government of north China, centered in the Peiping Political Council headed by Huang Fu, is composed of Chinese officials either sympathetic or at least *persona grata* to the Japanese.

JAPAN'S "PAN-ASIATIC" BLOC

On the strength of this favorable position, the Japanese government has put forth a sustained diplomatic effort to secure China's



formal acceptance of the new *status quo*. Koki Hirota, newly appointed Japanese Foreign Minister, declared on September 29 that he placed at the forefront of his policy the gradual opening of regular negotiations with China looking to "a practical solution" of Sino-Japanese issues. His ultimate aim was "to establish an Asiatic union comprising China, Japan, and Manchoukuo, pledging, through a definite protocol, close economic and political collaboration."²⁵ In accordance with this general policy, a host of Japanese diplomatic, consular and military officials have been engaged in a continuous series of conversations with Chinese officials in Peiping, Shanghai and Nanking.

The greatest pressure was brought to bear on the north China authorities, in the hope of inducing them to establish normal relations with the Manchoukuo régime. Early in November the Japanese demands were apparently on the point of being granted. Dealing directly with Huang Fu in Peiping at this time were Akira Ariyoshi, Japanese Minister to China, and Major-General Okamura, vice-chief-of-staff of the Kwantung Army. The chief issues under consideration involved the establishment of through railway traffic between Peiping and Mukden, the restoration of postal communications between China and Manchoukuo, and the opening of Chinese and Manchoukuo customs stations along the Great Wall. Acceptance of these demands, which would have constituted *de facto* recognition of Manchoukuo, was forestalled by a revolt of the Kuomintang political leaders in the Central Executive Committee at Nanking.²⁶

Meanwhile events of a similar nature had been taking place at Nanking. Chiang Tso-

21. For official text, cf. *New York Times*, June 1, 1933.

22. *Ibid.*

23. The Japanese justify this action by an appeal to Article IX of the Boxer protocol. (Cf. John V. A. MacMurray, *Treaties and Agreements with and Concerning China*, New York, Oxford University Press, 1921, Vol. I, p. 282-283.)

24. Several attempts were made to send in Chinese forces from Tientsin to put down marauding bands that were terrorizing districts in the "demilitarized" area. In each case the Japanese military forces still in the area disarmed the Chinese detachments and turned them back. Cf. *China Weekly Review*, September 16, 1933, p. 82-83; November 11, 1933, p. 428-429.

25. *Osaka Mainichi* (English edition), September 29, 1933.

26. This revolt took three forms: an interrogation of Wang Ching-wei in the Legislative Yuan concerning the Sino-Japanese negotiations at Peiping, a resolution passed by the Central Political Council which vested in that body a more complete and effective control over the conduct of foreign relations, and a proposal to the government executive for reorganization of the Peiping Political Council. Cf. *China Weekly Review*, November 25, 1933, p. 518.

pin, who had been recalled from his post as Chinese Minister to Japan in the spring of 1933, returned to Tokyo in the middle of October.²⁹ The resignation of T. V. Soong from the Finance Ministry at Nanking, formally accepted on October 29, was of even greater significance. It was caused partly by T. V. Soong's opposition to the mounting expenditures of Chiang Kai-shek's anti-Communist operations, but more largely by his vigorous stand against Japanese aggression. He had strongly supported Marshal Chang Hsueh-liang's resistance to Japan, having personally visited Peiping and Jehol in February 1933 in an effort to strengthen the Chinese defenses against the imminent Japanese attack. Following the collapse of Chinese resistance in north China, he was appointed head of the Chinese delegation to the World Economic Conference. While abroad, he concluded arrangements for the \$50,000,000 cotton and wheat credit from the United States and secured the appointment of Dr. Rajchman to head the work of the League of Nations experts in China. On his return, he had laid plans for an increase in the Chinese customs duties.

Vigorous efforts were made by Japan to undermine the effect of T. V. Soong's actions. Yotaro Sugimura, former Japanese under-secretary-general at Geneva, traveled extensively in China during the autumn of 1933 with the avowed object of combating League influence.³⁰ On October 9 the Japanese Minister to China, Akira Ariyoshi, conferred at Nanking with the British and French Ministers for the purpose of enlisting their support in bringing pressure to secure reductions in the Chinese tariff rates.³¹ Finally, evidence exists that Japanese emissaries in Shanghai took advantage of the dissatisfaction among some of the Chinese bankers with the cotton and wheat loan to turn them against T. V. Soong, thus limiting his ability to float public loans.³²

The resignation of T. V. Soong opened the way to further Japanese demands on the Nanking government. In addition to a reduction in the Chinese tariffs, the Japanese pressed for complete elimination of the boycott³³ and the rescinding of a proposed customs regulation requiring foreign products to be labelled with marks indicating their country of origin. On the latter issue, the

29. It was noted that Chiang Tao-pin was an old friend of Koki Hirota, the newly appointed Japanese Foreign Minister. Cf. Dr. S. Washio, *The Trans-Pacific*, November 9, 1933, p. 5.

30. Cf. "Yotaro Sugimura and the Present Political Crisis in the Nanking Government," *China Weekly Review*, November 4, 1933, p. 386-389.

31. *Osaka Mainichi* (English edition), October 12, 1933, p. 7.

32. Cf. Rengo (Japanese news agency) dispatches quoted in the *China Weekly Review*, November 4, 1933, p. 391; also *New York Herald Tribune*, October 31, 1933.

33. Japanese exports to China have declined as follows: ¥278,073,000 in 1929; ¥234,251,000 in 1930, ¥143,875,000 in 1931, ¥129,477,000 in 1932. For the first nine months of 1933 Japan's exports to China further declined to ¥79,491,000, a decrease of ¥16,265,000 over the same period of 1932. Cf. *The Trans-Pacific*, November 2, 1933, p. 20.

Chinese customs authorities have announced that the regulation has been deferred and will not become effective until July 1, 1934.³⁴ The revolt which broke out in Fukien province on November 20 renders it unlikely that Nanking will make any further concessions to Japan in the immediate future.

THE FUKIEN REVOLT

Japan's basic difficulty in achieving its diplomatic objectives has been the deep-seated anti-Japanese sentiment which permeates virtually all sections of the Chinese public. The suspicion that Chiang Kai-shek's dealings with Japan involved more than diplomatic maneuvering to ward off Japanese pressure would at once place him in a position analogous to that of Yuan Shih-kai in 1915 or of the Anfu clique in 1919. During the intervening years, Chinese nationalism has broadened and deepened; it would move irresistibly to overthrow a negotiated betrayal of China's national interests. When the Tangku truce was concluded in May, it was met with Feng Yu-hsiang's revolt in the north and strenuous protests from the south, despite general recognition in China that it constituted a military necessity. The resignation of T. V. Soong in October strengthened the feeling that Nanking's further negotiations with Japan had gone too far; it was followed three weeks later by the revolt of the Nineteenth Route Army in Fukien.

Each of these events sharply challenged Chiang Kai-shek's settled policy of carrying on large-scale and expensive anti-Communist campaigns while temporizing with Japan. The challenge was especially pointed in the case of the Nineteenth Route Army, which had received but half-hearted support from Nanking in the course of its heroic struggle against the Japanese forces at Shanghai. In personnel and ideology, the Fukien movement is both more nationalistic and more socialistic than the Nanking régime.³⁵ Four of the ten Ministers in the Fukien government are members of the so-called "Third Party," a Kuomintang group which espouses Social Democratic principles.³⁶ The Fukien independence declaration called for complete tariff autonomy, abolition of the unequal treaties, and prolonged resistance against Japanese aggression. It granted liberty of speech and assembly, and the right to form unions and to strike. It advocated state control of forests, mines

34. *New York Herald Tribune*, December 4, 1933.

35. It constitutes the first reappearance in strength of the Kuomintang left wing since December 1931, when it reorganized the Nanking government but held control for only a month. At that time Chiang Kai-shek resigned, leaving the treasury empty and his key men in control of military affairs. Within a month he returned to power. In the process, he coopted Wang Ching-wei and other left-wing Kuomintang politicians for service in the reconstituted government at Nanking. Cf. Bisson, "Ten Years of the Kuomintang: Revolution vs. Reaction," *Foreign Policy Reports*, February 15, 1933, p. 301.

36. *China Weekly Review*, December 2, 1933, p. 7.

and other public resources, abolition of land titles and taxes, and redistribution of land in accordance with the needs of each family.³⁷ The previous history of left-wing Kuomintang movements counsels caution in accepting these policies at their face value; they constitute, in part at least, an attempt to capitalize existing discontent in a bid for national power.

In the present case, however, they acquire new significance in the light of the statement by General Tsai Ting-kai, Commander of the Nineteenth Route Army, that he has "temporarily suspended operations" against the Communists.³⁸ The Nineteenth Route Army has been engaged in anti-Communist operations in Fukien province almost continuously since May 1932, when the Shanghai armistice was concluded. In the autumn of 1933 it constituted part of a vast force of 300,000 troops which Chiang Kai-shek had mobilized against the Communists. As in the case of most Kuomintang armies engaged in fighting the Communists, the steady propaganda carried on by the latter has made inroads on the bourgeois allegiance of the Nineteenth Route Army.³⁹ Developments have indicated the existence of more than a mere status of neutrality between the two groups. It is reported that much-needed salt and medical supplies have found their way from the Fukien coast to the Communist forces, thus destroying the effectiveness of the strict blockade which Chiang Kai-shek had instituted against them.⁴⁰

THE NEW STATUS QUO

By their military activities on the Asiatic continent, the Japanese army leaders have achieved a number of significant results. The conquest of the Manchurian provinces has added more than 400,000 square miles of territory to Japan's empire. Under Japanese rule, Manchuria is both a defensive and offensive asset against the Soviet Union, not only as a source of raw materials but also as a base of operations strengthened by the construction of strategic railways. In central China, the Shanghai area has been "demilitarized," that is, Chinese military forces have been debarred from entering a specified zone around the city.⁴⁵ Finally, Japan's controlling position in north China, by laying that area open to the ever-present threat of invasion or disturbance, enables Tokyo to exert continuous pressure on the Nanking government.

37. *New York Times*, November 21, 1933.

38. *Ibid.*, December 3, 1933. General Tsai Ting-kai coupled this statement with a declaration that he had not contracted an alliance with the Communists.

39. For evidence on this point, cf. Agnes Smedley, *Chinese Destinies* (New York, Vanguard Press, 1933), p. 264-276.

40. *New York Times*, November 23, 1933.

41. *Ibid.*, December 17 and 18, 1933.

Furthermore, the Nineteenth Route Army and various Communist units have evidently occupied mutually delimited sectors of a common line of defense against Chiang Kai-shek's forces.⁴¹

The relative accessibility of Fukien province, however, in contrast to the Communist area in southern Kiangsi, enabled Chiang Kai-shek to take full advantage of his superiority in resources and man-power. As a result, the Nanking forces had won a series of victories by the middle of January which threatened the Fukien movement with collapse. Foochow, capital of the rebel government, was occupied by a Nanking marine force on January 13, the Nineteenth Route Army having previously withdrawn southward toward Changchow.⁴² Nanking forces are also reported to have entered the interior cities of Kutien and Mintsing, which had been stubbornly defended. A new provincial government for Fukien, headed by the Vice-Minister of War, has been named by Nanking, and a temporary capital established at Yenping. In order to end the revolt without further fighting, it is proposed that the leading figures in the Fukien movement should retire from politics, and that the Nineteenth Route Army withdraw to a point designated by Chiang Kai-shek and submit to reorganization and inclusion in the government forces. The latter issue would appear to be crucial in assuring a definitive settlement of the revolt, since the bulk of the Nineteenth Route Army seems to be still intact.

The methods by which these ends have been attained, no less than the magnitude of the gains involved, have completely upset the post-war status in the Pacific. Three major aspects of this unsettlement may be noted. The treaty structure which was created to insure peace in the Far East is crumbling, political and economic rivalries in the Pacific area have been intensified, and China's demonstrated weakness has posed the question of its possible dismemberment.⁴⁶

TREATY STRUCTURE IN THE PACIFIC

During the past decade a treaty structure had been evolved for the Pacific area, embracing the Kellogg Pact, the League Covenant and the Washington Conference trea-

42. *Ibid.*, January 14, 1934.

45. At the same time, the Japanese have constructed a fortified barracks and a military hospital in the Hongkew section of Shanghai—the two buildings costing in excess of \$2,000,000 and capable of housing more than 2,000 soldiers. The barracks is four stories high and approximately 225 feet wide by 525 feet long, of modern steel-reinforced concrete construction. Its windows are arranged for machine-gun installation, and the roof is reinforced for light artillery. Cf. *China Weekly Review*, September 9, 1933, p. 45-47.

46. This latter issue, particularly with regard to foreign encroachments on Inner and Outer Mongolia, Sinkiang, "Inner" Tibet, and Yunnan is reserved for treatment in a later issue of the *Foreign Policy Reports*.

ties. Each of these instruments of peace has been undermined by Japan's successful resort to military aggression. In the early stages of the Manchurian conflict, the United States sought to reinforce League action by invoking the provisions of the Kellogg Pact in cooperation with the twelve members of the League Council which were not parties to the dispute. Replying to this *démarche* on October 21, 1931 the Japanese government assured the powers that it did not intend to resort to war, that its troops were actuated solely by the necessity of defense, and that its differences with China would be composed "by all pacific means."⁴⁷ The machinery of the League Covenant operated much more slowly. Not until February 24, 1933—eighteen months after the initial shot had been fired at Mukden—did the League Assembly adopt a report under Article XV of the Covenant clearly condemning the actions of Japan. The Japanese government then gave notice of its withdrawal from the League, conquered Jehol province, and occupied north China until the Nanking government sued for peace. In the light of these developments, the Kellogg Pact and the League Covenant have obviously proved ineffective in protecting China from unjustified military aggression.

This conclusion must be qualified, however, by consideration of the fact that most of the world's governments have bound themselves not to recognize the gains achieved by Japan in defiance of its commitments under the Kellogg Pact and the League Covenant. In a circular of June 7, 1933 the League's Far Eastern Advisory Committee of twenty-two nations⁴⁸ recommended certain measures to give effect to this policy.⁴⁹ The most positive steps proposed by the Committee included the refusal to admit Manchukuo to certain general international conventions, particularly the Universal Postal Union, to accept passports issued by the Manchukuo "government," or to quote Manchukuo currency officially on foreign exchange markets. Other recommendations were less forthright. Consuls in Manchuria might be replaced, but they should avoid actions which might be interpreted as a recognition of the local régime. Each government should decide for itself whether it was desirable to call the attention of its nationals to the special risks attendant on acceptance of concessions or appointments in Manchuria. The export of opium and other dangerous drugs to Manchuria against import certificates issued by the Manchukuo "government" should be permitted, but, in order to avoid even implied recognition, the gov-

ernment of the exporting country should not send copy of its export authorization to Manchukuo.

The American representative who sat with the Far Eastern Advisory Committee did so on the express understanding that his silence on any question was not to be regarded as acquiescence on the part of the American government. When the Committee's recommendations, formulated in the above circular, were transmitted to the United States for an expression of views, the American government signified its concurrence in the recommendations with a few exceptions. The principal exception was to the recommendation in regard to narcotics import certificates, on the ground that it ran contrary to the Hague Opium Convention of 1912.⁵⁰

The explicit assertion by the United States in the League's Opium Advisory Committee that its views on the non-recognition of Manchukuo remain unchanged indicates that this policy is far from being a dead letter. Nevertheless, it must be recognized that the steps so far taken to apply the principle are relatively minor and negative in character. They envisage no immediate action that would genuinely challenge Japan's newly acquired dominance in Manchuria. The best that can be expected along this line is that the non-recognition policy, if effectively adhered to,⁵¹ will prevent Japan from securing legal title to the gains which it has in fact achieved. At some more favorable juncture the powers might then require Japan to accept the recommendations of the League Assembly's report. Even this possibility would be undermined if Japan succeeded in securing China's formal endorsement of the Manchukuo régime.

Japan's aggressive activities have raised equally important issues with respect to the agreements reached at the Washington Conference of 1921-1922. These agreements constituted essentially a bargain between the Western powers and Japan, by which the latter was assured of supremacy in the Far East in return for a pledge to refrain from aggression in China. Japan's naval supremacy in Far Eastern waters was guaranteed by the 5-5-3 ratio in capital ships, together with the prohibition of new fortifications or naval bases in the powers' insular

50. On November 2 Mr. Stuart Fuller, speaking for the United States, expressed the same view before the League's Advisory Committee on Opium, stressing the extent to which the Manchukuo régime had encouraged the growing of opium. After discussion, the Opium Committee agreed to insert in its report to the Council a paragraph expressing grave apprehension over the narcotics policy of Manchukuo, and stating that the Committee was confident that it was not the intention of the Far Eastern Advisory Committee to justify any evasion of the Hague Convention.

51. Economic processes are continually undermining the effectiveness of the non-recognition policy. Trade with Manchuria continues as usual; the big foreign oil, automobile and electric companies carry on their business; foreign consular agents still serve their nationals; and French financial interests bargain for economic concessions from Manchukuo in exchange for loans.

47. For text, cf. *New York Herald Tribune*, October 22, 1931.

48. Including the United States.

49. For text, cf. "Recent Policies of Non-Recognition," *International Conciliation*, October 1933, Appendix 103, p. 465-461.

possessions in the Pacific.⁵² The same principle was applied to the limitations on cruiser construction adopted at the London Naval Conference of 1930. Japan's security was further enhanced by the American government's failure to build up to the limits permitted by treaty. As an offset to these concessions, Japan pledged itself in the Nine-Power Treaty, along with the other powers, to respect China's sovereignty, independence, and territorial and administrative integrity, to provide China the fullest and most unembarrassed opportunity to develop and maintain an effective and stable government, and to use its influence for the purpose of effectually establishing and maintaining the principle of the "open door" throughout Chinese territory.⁵³ The Japanese conquest of Manchuria and the invasions of Shanghai and north China have riddled the provisions of the Nine-Power Treaty. At present Japan is acting as a free lance in its relations with China, recognizing no limits on its freedom of action, and thereby completely overturning one of the cardinal bases of the Far Eastern stabilization effected by the Washington Conference.

This scuttling of the Nine-Power Treaty has not yet resulted in the nullification of the arms limitation agreements of the Washington and London Conferences, which still govern the naval building programs of the great powers. Nevertheless, according to the view expressed in Secretary of State Stimson's letter to Senator Borah on February 24, 1932, violation of the Nine-Power Treaty has a direct bearing on the status of the arms limitations agreements.⁵⁴ By appropriating \$238,000,000 from the public works fund for naval construction, the Roosevelt Administration has served notice that the United States intends to lessen the disparity caused by its previous unwillingness to build up to treaty limits. Taken in conjunction with the active demand for additional naval construction in Japan and Great Britain, this development indicates that a naval building race within treaty limits has already begun, and seriously threatens the possibility of reaching any agreement at the 1935 conference.

In two other respects, the actions of the new Administration have had important effects on the Far Eastern situation. The announcement on November 3 that the Battle Fleet would be withdrawn from Pacific waters in the spring of 1934 reversed a policy that had been seized upon by the Japanese military to inflame public opinion in Japan. Recognition of the Soviet Union by the United States has strengthened the pos-

sibility that a peaceful solution of existing Soviet-Japanese difficulties may be found.

ANGLO-JAPANESE TRADE CONTROVERSY

The most acute economic phase of the present unsettled in the Pacific area is the serious trade and tariff controversy which has arisen between Japan and Great Britain. For this conflict Japan's Manchurian adventure is indirectly responsible, since the Chinese boycott has led Japan to press its export trade in other Asiatic and African markets, the great majority of which are within the British Empire. The underlying issue, however, was the long-existing Anglo-Japanese competition in the sale of textiles. This competition has been intensified by the effects of the depression—depreciated currencies, Britain's swing to protection, and the Ottawa agreements for greater imperial preference.

The manufacture of cotton textiles constitutes the largest factory industry in Japan, with an export total second in value only to silk.⁵⁵ During the war the growth of the industry was abnormal, but even since 1918 Japanese exports of cotton goods have steadily increased. In the past two years the effects of this development have become especially notable in India and other British dependencies, while at the same time there has been a marked decline in the sale of British cotton textiles. During the first eight months of 1933, Japan exported 1,392,000,000 square yards of cotton cloths to Britain's 1,386,000,000, thus surpassing the British total for the first time.⁵⁶

Faced by this situation, Great Britain has resorted to drastic tariff protection in every market over which it exerts political influence. The British cotton preference in India has risen from 5 to 50 per cent in the last three years. Similar steps have been taken in other British dependencies. The chief justification for this policy rests on the advantage afforded Japan by the abnormally depreciated *yen*. Yet this factor can only have a temporary effect, since the Japanese textile manufacturers must import their supplies of raw cotton. Japan's basic competitive advantage lies in its cheaper production costs, resulting from lower wages and newer and more mobile factory organization as compared with the Lancashire factories.

The centre of the textile controversy is India, which constitutes one of the largest markets for cotton goods. India itself, however, also possesses a large domestic textile industry, so that a three-cornered struggle is being carried on between Great Britain, Japan and India for control of the Indian

52. *Conference on the Limitation of Armament* (Washington, Government Printing Office, 1922), p. 1573-1604.

53. *Ibid.*, p. 1621-1629.

54. For text of letter, cf. *New York Times*, February 25, 1932.

55. Cf. *Memorandum on Anglo-Indian-Japanese Textile Competition* (American Council, Institute of Pacific Relations), September 15, 1933.

56. *New York Herald Tribune*, October 4, 1933.

market. The following table⁵⁷ shows the volume of cotton cloths sold in India by the

three leading competitors in recent years, as compared with the last pre-war year.

COTTON CLOTH SALES IN INDIA
(in millions of square yards)

Year April-March	Total Sales	Indian Mills	Per cent	British Imports	Per cent	Japanese Imports	Per cent
1913-14	4,361	1,164	26.7	3,104	71.2	9	0.2
1929-30	4,338	2,419	55.8	1,248	28.8	562	12.9
1930-31	3,451	2,561	74.2	523	15.1	321	9.3
1931-32	3,766	2,990	79.4	384	10.2	340	9.0
1932-33	4,319	3,119	72.2	587	13.6	578	13.4

These figures point to the fact that India's cotton textile industry is forging steadily ahead in its home market. The gains registered by Japanese cotton goods have been achieved almost entirely at the expense of the Lancashire interests. Both, however, are competing for a rapidly declining share of India's total consumption. The long-term trend seems definitely in the direction of an ultimate Indian self-sufficiency with respect to manufactured cotton goods. This trend was interrupted in 1932-1933, however, when a considerable increase in imports resulted in a percentage diminution of the share sold by the Indian mills. In this year also the Japanese percentage gain was won for the first time chiefly at the expense of the Indian mills rather than of Lancashire.

As a result of this situation, protests against alleged Japanese "dumping" became increasingly vigorous in India. In August 1932 the Government of India raised the tariff on foreign—chiefly Japanese—cotton goods to 50 per cent, while leaving the British rate unchanged at 25 per cent.⁵⁸ Although the sales of Japanese goods declined somewhat after that date, India's excess of imports from Japan in 1932 totalled approximately ¥75,000,000. On April 11, 1933, in order to allow for the imposition of still more drastic "anti-dumping" duties, the Government of India announced the abrogation of the Indo-Japanese trade convention, to take effect in six months. This step was followed on June 6 by an increase in the Indian tariff on foreign cotton goods to 75 per cent, giving British goods a 50 per cent preference in the Indian market.

These successive measures aroused intense resentment in Japan. Feeling centered not

only on the high British preference but also on the alleged injustice of basing these measures on Japan's excess of exports to India in 1932.⁵⁹ On June 13, 1933 the national association of Japanese cotton spinners, controlling all save 116,000 of the 8,050,000 spindles in Japan, voted to suspend purchases of Indian raw cotton. The resulting deadlock was broken by an agreement to hold a tripartite conference of the Anglo-Indian-Japanese cotton interests at Simla, in British India, which was finally convened on September 25. After long negotiations, a final agreement was announced January 3, 1934.⁶⁰ The Indian tariff on British cotton goods was to remain unchanged at 25 per cent, while the duty on Japanese goods was to revert to 50 per cent. An Indo-Japanese barter arrangement, however, provided for an annual maximum Indian import of 400,000,000 square yards of Japanese cotton cloth in return for the Japanese purchase of 1,500,000 bales of Indian raw cotton. Japan may increase its purchases of American raw cotton when the price is less than 10 per cent above that of Indian cotton. The agreement lasts for three years.

SOVIET POSITION IN THE FAR EAST

The Japanese occupation of Manchuria has confronted the Soviet Union with a series of grave problems in that area. An early crisis in Soviet-Japanese relations was reached in March 1932, soon after Japan's invasion of north Manchuria. By May, however, tension was noticeably relaxed—a fact signalized by the renewal of the Soviet-Japanese fisheries agreement, the terms of which had been the subject of prolonged controversy.⁶¹

A second period of watchful waiting and diplomatic sparring, which lasted for nearly a year, then ensued. Although the Soviet Union was forced to accept the *de facto* situation created by the establishment of Manchoukuo, it consistently refused to accord

57. Compiled from figures in *The Japan Advertiser Textile Supplement, 1933* (Tokyo, The Japan Advertiser, July 1933), p. 13, 15. These statistics exclude handloom production in India, which totalled 1,372,000,000 square yards in 1931-32.

58. *Ibid.*, p. 13. Prior to 1930, the Indian tariff had granted no preference to British textiles. In April 1930 the Government of India instituted a 5 per cent cotton preference for British goods; in September 1931 this preference had been raised to 6.25 per cent. Such preferences were contested by Japan on the basis of the Indo-Japanese Commercial Treaty, which came into effect on March 15, 1905. Article I of this treaty provides that "articles produced or manufactured in the dominion of His Imperial Majesty the Emperor of Japan, when imported into India, shall be assessed with the lowest tariff which is to be levied on the similar products of any other foreign origin." The Japanese government has interpreted the term "any other foreign origin" to include Great Britain, while the Government of India asserts the contrary.

59. Since the Indo-Japanese trade convention became effective in 1905, India has enjoyed a steady excess of exports to Japan, the sole exception being the year 1932. During the life of the treaty, India's export surplus has aggregated ¥3,346,355,000, or nearly ¥120,000,000 annually over a period of 28 years.

60. *New York Times*, January 4, 1934.

61. For further details on this period, cf. V. M. Dean, "The Soviet Union and Japan in the Far East," *Foreign Policy Reports*, August 17, 1932.

the new state formal recognition.⁶² New issues were raised toward the close of 1932, when Dr. W. W. Yen, head of the Chinese delegation to the Disarmament Conference, and M. Litvinov, Soviet Foreign Commissar, opened negotiations at Geneva for the re-establishment of Sino-Soviet relations, which had been severed in 1927. On December 12, 1932 it was announced that the two diplomats had exchanged identical notes restoring diplomatic relations between their governments. In a press statement M. Litvinov declared that, for the Soviet Union, "which is free of all secret political combinations and agreements," an improvement in relations with one state did not involve deterioration of relations with another.⁶³ Despite this reassuring statement, the resumption of Sino-Soviet relations was interpreted in Japan as a Soviet move against Manchoukuo. On January 2, 1933 it became known that Japan had declined the Soviet proposal for a non-aggression pact, advanced a year earlier.⁶⁴

Difficulties over the Chinese Eastern Railway now ushered in a third phase of the Soviet-Japanese diplomatic duel. The Soviet attempt to share the railway's management with Manchoukuo had never worked satisfactorily. According to the Soviet government, no adequate measures were taken by the Manchoukuo authorities to maintain order in the areas traversed by the Chinese Eastern. Furthermore, reorganization of the former Chinese railways by the Japanese-owned South Manchuria Railway, and completion of the Tunhua-Huining link in the line from Changchun to Rashin, in northeast Korea, made it possible for Manchoukuo to divert traffic from the Chinese Eastern Railway. As a result, the profits formerly realized from the operation of the Chinese Eastern disappeared, and the importance of Vladivostok as an outlet for Manchurian produce sharply declined. This issue was squarely raised on April 8, 1933, when the Manchoukuo authorities severed connections between the Chinese Eastern and Trans-Siberian railways at the border stations of Manchouli and Pogranichnaya, and announced that the blockade would continue until the Soviet Union had returned

⁶² As early as March 4, 1932, the Soviet government had acknowledged the appointment of Li Shao-keng, a Manchoukuo nominee, as president of the board of directors of the Chinese Eastern Railway. Later it had also permitted Manchoukuo consuls to take up their duties in Siberia. In each case, however, it denied that these acts constituted recognition.

Although the Soviet Union owns the Chinese Eastern Railway outright, it shares the management of the railway with China, in accordance with treaty arrangements concluded in 1924. For history of the Chinese Eastern Railway, cf. V. M. Dean, "Russia and China in Manchuria," Foreign Policy Association, *Information Service*, August 7, 1929; "The Soviet Union and Japan in the Far East," cited; Robert T. Pollard, *China's Foreign Relations, 1917-1931* (New York, Macmillan, 1933), Chapters V, XI; C. F. Remer, *Foreign Investments in China* (New York, Macmillan, 1933), Chapter XVIII.

⁶³ *Soviet Union Review*, January 1933, p. 2. Dr. W. W. Yen was appointed Ambassador to the Soviet Union, and Dmitri Bogomolov assumed the post of Soviet Ambassador at Nanking.

⁶⁴ *New York Times*, January 2, 1933.

rolling-stock which, they alleged, had been illegally detained on Soviet territory.⁶⁵

The Soviet government, realizing that the Chinese Eastern Railway had become more of a liability than an asset and would continue to endanger its relations with Japan and Manchoukuo,⁶⁶ offered on May 2 to sell the railway to Japan for \$153,000,000.⁶⁷ Japan replied that all transactions affecting the Chinese Eastern would have to be negotiated between the Soviet Union and Manchoukuo. After some hesitation, the Soviet Union agreed to the Japanese demand, and the Soviet-Manchoukuo parley opened in Tokyo on June 26, under the aegis of the Japanese authorities. Despite prolonged negotiations, involving successive reductions in the Soviet price, no agreement had been reached by the end of 1933.⁶⁸

As early as September, moreover, the negotiations had been eclipsed by a new series of provocative developments. Stiff protests from Moscow over alleged maltreatment of Soviet officials on the Chinese Eastern Railway were climaxed by charges that the Manchoukuo authorities were preparing to seize control of the railway by force. On October 8 the Soviet government made public the texts of four documents outlining detailed plans for seizing the railway, alleged to be reports of high Japanese officials in Manchoukuo to the Ministry of Foreign Affairs at Tokyo.⁶⁹ Three of the documents bore the purported signature of General Takeshi Hishikari, Japan's plenipotentiary representative in Manchoukuo; the fourth was a report to General Hishikari bearing the signature of Kazuhito Morishima, Japanese Consul General at Harbin. Seven Soviet railway officials marked out for arrest in the fourth report, dated September 19, had been placed in custody at Harbin before the documents were made public in Moscow.

The new tone of firmness in Moscow, backed by vigorous statements in the Soviet press, suggested that the limits of Soviet compromise on the Manchurian issue had been reached.⁷⁰ An unusually successful harvest, a series of non-aggression pacts concluded with neighboring European powers and, finally, recognition by the United States have fortified the position of the Soviet Union in dealing with

⁶⁵ For details of this incident, cf. *Soviet Union Review*, June 1933, p. 132.

⁶⁶ Cf. statement of M. Litvinov, May 11, 1933. *Ibid.*, p. 134.

⁶⁷ This action called forth a protest from Nanking on the ground that according to the Sino-Soviet agreement of 1924, alienation of the railway to third parties was barred. M. Litvinov argued that the Soviet Union was confronted with a *de facto* situation in which the Manchoukuo authorities were "actually carrying out the rights and obligations accruing to the Chinese side" from the 1924 agreements. For the respective arguments, cf. statement by M. Litvinov, May 11, cited; also, C. C. Wang, "The Chinese Eastern Railway," *Foreign Affairs*, October 1933.

⁶⁸ A Soviet offer to sell the railway for \$128,750,000—later reduced to \$103,000,000—was countered with a Manchoukuo bid of only \$14,000,000. Cf. *New York Times*, August 4, 1933.

⁶⁹ For text of these documents, cf. *New York Herald Tribune*, October 12, 1933.

⁷⁰ *New York Times*, October 10, 1933.

Japan. The restraint with which the Soviet challenge has been treated by the Japanese government and press shows that these new factors have not passed unnoticed in Japan. On November 6 Foreign Minister Koki Hirota initiated conversations at Tokyo with M. Yurenev, Soviet Ambassador, designed to mitigate existing Soviet-Japanese tension.⁷¹ Four days later Foreign Minister Hirota advocated an extension of "the provisions of the Portsmouth Treaty, whereby Russia and Japan agree to abstain from military measures along their mutual frontiers, to the entire extent of the Siberian-Manchoukuo border"⁷²—a partial approach to the non-aggression pact desired by the Soviet Union. Nevertheless, in an interview on December 27 Joseph Stalin, secretary-general of the Communist party, declared with reference to Japan: "There is real danger, and we are forced to prepare ourselves to meet it . . ."⁷³

CONCLUSION

Tokyo's aim of setting up a political and economic bloc composed of China, Japan and Manchoukuo constitutes a far-reaching bid for complete Japanese hegemony in the Far East.⁷⁴ In a different setting and under a different guise, it contemplates the achievement of the program sketched out in the Twenty-One Demands of 1915. It proposes to squeeze European and American influence out of the Far East sufficiently to make the Japanese "Monroe Doctrine" for Asia a reality. Japan's contemporary reassertion of this national goal, backed by the power of the military clique, challenges the effective maintenance of the open door policy in China, and threatens to drag China along against its will in the van of Japanese imperialism. Given the hesitancy of the European powers to venture on vigorous support of the "open door," the chief onus of its defense is likely to fall on the United States.

In the minds of the Japanese people this picture of the situation is reversed, with American policies and activities viewed as a menace to Japan. On June 22, 1932, at a luncheon of the America-Japan Society in Tokyo welcoming Ambassador Grew, Viscount Ishii warned that a grave situation would be created if the United States "ever attempted to dominate the Asiatic continent and prevent Japan from pacific and natural expansion in this part of the world."⁷⁵ The political and territorial rights of the United States in the Far East and its championship of the integrity of China have contributed to this sentiment in Japan. Recent American economic enterprise in China, particularly

71. *Ibid.*, November 7, 14, 1933.

72. *Ibid.*, November 11, 1933.

73. Walter Duranty, *ibid.*, December 28, 1933.

74. Cf. series of articles by Demaree Bess in the *Christian Science Monitor*, particularly the issue for December 16, 1933.

75. *New York Times*, June 22, 1932.

in the field of aviation, has also been observed by the Japanese with apprehension.⁷⁶

Three courses of action are open to the United States in dealing with the dangerous potentialities of this situation. The first course presupposes the full maintenance of present American political and economic rights both in the Philippines and in China. It would require building the navy up to full treaty limits, as well as an alliance with Great Britain or the Soviet Union, or both. The dangers of this stand-pat attitude are obvious; its only virtue is that it avoids the appearance of yielding to Japan.

In contrast to this policy, the United States might undertake the liquidation of American imperialism in the Far East. Withdrawal from the Philippines, after negotiation of a pact with Japan neutralizing the Islands, could be completed; American extraterritorial privileges in China relinquished; American marines withdrawn from Shanghai, Peiping and Tientsin; and American gunboats removed from the Yangtze river and China's coastal waters. The Exclusion Acts could also be repealed, and a few score Chinese and Japanese immigrants admitted each year on a quota basis. If the principles of the Administration's "new deal" are to become effective in the sphere of American international relations, these steps would seem to be logically called for in the present Far Eastern situation. Unless they induce a change of heart on the part of Japan, however, such measures might eventually jeopardize even the legitimate American interests in China.

As a third alternative, the United States might attempt to strengthen peace machinery to the point where the negotiated surrender of American, European and Japanese imperialistic privileges in the Far East could be simultaneously enforced. For this purpose an authoritative League of Nations would have to be created, capable of dealing with such basic issues as the international apportionment of markets and raw materials. The forces of economic nationalism, however, at present constitute a formidable obstacle to the creation of such an international organization. One of the prerequisites to an effective attack on economic nationalism, which has its roots in the existing competitive system, would seem to be the reorganization of the various national economies on a cooperative basis.

76. Among other items which have aroused Japan's suspicions should be noted the 45 per cent American financial interest in the Nanking government's commercial aviation monopoly, the continued sale of large numbers of American airplanes to China, and the assistance rendered by American aviators in training Chinese pilots. The United States sold some \$200,000 worth of airplanes and equipment to China in 1932; for the first ten months of 1933, this figure totalled almost \$1,500,000. (Foreign Policy Association, Washington Bureau.) Furthermore, the Curtiss-Wright Corporation has recently announced plans for the building of a \$5,000,000 airplane plant in China, with the Nanking government obligating itself to buy or dispose of sixty planes a year. *New York Times*, December 8, 1933.